

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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FM AMEMBASSY CAIRO
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INFO AMCONSUL ALEXANDRIA
AMEMBASSY DAMASCUS

C O N F I D E N T I A L CAIRO 16263

E.O. 11652: GDS
TAGS: EINV, ETRD, EG
SUBJECT: FURTHER NEGOTIATIONS ON FORD PROJECT

REF: (A) CAIRO 15740; (B) CAIRO 15381

1. SUMMARY: FORD REP HAS TOLD US THAT SEPT 24 AND 25 DISCUSSIONS BETWEEN GOE AND FORD TECHNICAL TEAM BEGAN RATHER POORLY, WITH EGYPTIANS QUESTIONING SOME BASIC ASPECTS OF PROJECT THAT HAD LONG SEEMED SETTLED. AFTER SOMETIMES HEATED DISCUSSION, FORD EXPRESSED WILLINGNESS ACCEPT 44 PERCENT DIFFERENTIAL BETWEEN CKD AND BU TRUCKS, RATHER THAN 55 PERCENT IT HAD ORIGINALLY SOUGHT. FORD REP WAS UNCERTAIN, HOWEVER, WHETHER THIS PROPOSAL WOULD PROVE ACCEPTABLE TO GOE OR WHETHER ANY AGREEMENT WOULD BE SIGNED WHEN FORD OFFICIAL MET KAISOUNI IN WASHINGTON SEPT 29. END SUMMARY.

2. ACCORDING FORD REP OUROUSSOFF, GOE AND FORD REPS MET SEPT 24 AND 25 AS PLANNED (REFTEL A) TO DISCUSS PRECISE LEVEL OF TARIFF PROTECTION THAT TRUCKS PRODUCED BY PROPOSED JOINT VENTURE WILL BE ACCORDED. NEGOTIATIONS, OUROUSSOFF TELLS US, WERE "DIFFICULT" SINCE GOE TEAM DID NOT CONFINE ITSELF
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TO RELATIVELY NARROW ISSUE OF TARIFF LEVEL. INSTEAD, EGYPTIANS INSISTED ON QUESTIONING SOME OF BASIC PREMISES OF PROJECT, INCLUDING "SUBSIDIZATION" OF LOSSES ON DIESEL ENGINES THROUGH PROFITS ON TRUCKS SOLD LOCALLY. QUESTION HAD BEEN ASSUMED, AT LEAST BY FORD, TO BE SETTLED.

3. AFTER INITIAL MEETINGS FAILED REACH SUCCESSFUL CONCLUSION,

OUROUSSOFF SAYS HE TOLD GAZARIN WITH SOME HEAT THAT FURTHER DISCUSSION WOULD BE FRUITLESS IF GOE ATTEMPTED IN EFFECT TO RENEGOTIATE ENTIRE PROJECT AFTER ALL THE MEMORANDA, LETTERS, ANNOUNCEMENTS OF "APPROVAL", AND DISCUSSIONS AT HIGH LEVEL THAT HAVE TAKEN PLACE. IN SUBSEQUENT MEETING, EGYPTIANS BECAME SOMEWHAT EASIER TO DEAL WITH, AND FORD REPS FINALLY AGREED FORD WOULD ACCEPT 44 PERCENT DIFFERENTIAL BETWEEN TARIFFS ON COMPLETELY-KNOCKED-DOWN (CKD) AND BUILT-UP (BU) TRUCKS, RATHER THAN THE 55 PERCENT THAT COMPANY HAD INITIALLY BEEN SEEKING. GOE OFFICIALS INDICATED DESIRE RETAIN CURRENT 27 PERCENT CKD DUTY RATHER THAN REDUCING IT TO ZERO, SO TOTAL BU TARIFF, UNDER FORD PROPOSAL, WOULD BE 71 PERCENT.

4. IN DESCRIBING ATMOSPHERICS OF MEETINGS, OUROUSSOFF SAID THAT NASCAR CHAIRMAN GAZARIN (WHO LED EGYPTIAN SIDE) WAS MORE "AGGRESSIVE" IN OPPOSING FORD'S POSITION THAN OUROUSSOFF HAD EVER SEEN HIM. OUROUSSOFF SURMISES THAT GAZARIN MAY HAVE FEARED THAT IF HE DID NOT ADOPT SUCH AN ATTITUDE, OTHER GOE NEGOTIATORS--OFFICIALS FROM GENERAL ORGANIZATION FOR INDUSTRIALIZATION AND FROM CUSTOMS AUTHORITY--MIGHT ACCUSE HIM BEFORE MININDUSTRY SHAHIN OF NOT FULLY DEFENDING GOE'S INTERESTS. SHAHIN, OUROUSSOFF BELIEVES, REMAINS FUNDAMENTALLY OPPOSED TO FORD PROJECT, DESPITE RELATIVELY POSITIVE VIEWS HE EXPRESSED AT LAST MEETING WITH WILLIAMS AND FREDERICKS (REFTEL B).

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5. OUROUSSOFF CONCLUDED BY NOTING THAT GOE NEGOTIATORS APPEARED DURING DISCUSSIONS TO THINK FORD'S 44 PERCENT PROPOSAL STILL REPRESENTS TOO GREAT A DEGREE OF PROTECTION. HE THEREFORE DID NOT KNOW WHETHER PROPOSAL WOULD BE ACCEPTED BY GOE OR WHETHER AGREEMENT WOULD BE SIGNED DURING SCHEDULED SEPT 29 MEETING BETWEEN FORD REPS AND KAISSOUNI IN WASHINGTON. OUROUSSOFF SAID THAT IN HIS VIEW, HEART OF APPARENT EGYPTIAN RELUCTANCE FINALLY TO COME TO TERMS IS GOE'S FEELING THAT FORD SHOULD PAY STIFF PRICE FOR BEING REMOVED FROM BOYCOTT AND ITS FEAR THAT FORD WILL FIND WAY TO PROFIT MORE HANDSOMELY FROM EGYPTIAN VENTURE THAN COMPANY DESERVES.

6. EMBASSY WOULD APPRECIATE ANY INFORMATION AVAILABLE TO DEPARTMENT ON RESULTS OF SEP 29 FORD/KAISSOUNI MEETING.
MATTHEWS

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